

## **An Empirical Study of Employee Retention in the Information Technology Sector in Bangalore City**

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**ABSTRACT :** Employee retention refers to the ability of an organization to retain its employees. Each research investigation is expected to make a definitive contribution to the existing literature. The contribution of this study would be providing some gap-filling information in the field of Employees attrition and retention in service industry in general and IT Sector in particular. Satisfaction of employees is a major problem and due to this reason service sector have high switching level of jobs. Though, companies are investing a lot on the HR practices to improve attrition rate it is suggested to think from the point of view of the employees. Present study were the employees of the IT sector; especially software engineers of various IT companies in Bangalore city. Respondents were selected randomly. Employees were mainly from TCS, Tech Mahindra, Honeywell, Caterpillar, IBM. The information of this research will be useful to service industry in their HR practices and add new information to literature. It will help the management of the IT Sector to develop their new strategies of retention. The study found the influence of HR policies, compensation and benefits, work pressure and relationship with the superiors on employee retention.

**Keywords:** Retention, IT Sector, HR practices, Employees attrition

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## **INTRODUCTION**

Employee retention is a business- management term referring to efforts by employers to retain current employees in their workforce. Effective employee retention is a systematic effort by employers to create and foster an environment that encourages current employees to remain employed by having policies and practices in place that address their diverse needs. Also of concern are the costs of employee turnover (including hiring costs, training costs and productivity loss). Replacement costs usually are 2.5 times the salary of the individual. The costs associated with turnover may include lost customers and business and damaged morale.

Employee retention refers to policies and practices companies use to prevent valuable employees from leaving their jobs. How to retain valuable employees is one of the biggest problems that plague companies in the competitive marketplace. Not too long ago, companies accepted the “revolving door policy” as part of doing. There are different human resources practices employed by software companies to increase the retention level (Khan et al., 2014). In employee retention one more aspect is training and development and this is the most important parameter in the human resource management (Maqsood Haider 2015 and Rasli, A.M., Norhalim, N., Kowang, T.O., Qureshi, M.I. 2014).

Cost is defined as “recruiting expense, orientation and training cost, decreased productivity until the new employees gain knowledge and expertise in their domain and also the loss of clients who were dedicated and loyal to the leaving employees” (Kay, 2000). Nowadays human capital is gaining importance because organizations can have a competitive advantage through their distinctiveness and role of human resource productivity increased due to development of various ERP’s (Holland et al. 2007, Roberts, N., Outley, C. (2002).

## **BACKGROUND OF THE STUDY**

IT industry started was in Mumbai in 1967 with TCS. Indian IT industry development and contribution to worlds information technology sector is of highest reputation like metro cities Mumbai, Delhi, Chennai, Hyderabad and Bangalore have become favorite destination all the Indian multinational companies like Infosys, TCS, Wipro, Tech mahendra, etc (Indian Mirror Report 2020) Indian IT industry contributes 5.8% of the country’s GDP while providing employment to with significant workforce. Annual revenues from outsourcing operation in India were up to US \$ 220 billion by the year 2021. As a result, the industry’s workforce consists of a much larger proportion of engineers and other highly-skilled technical workers, relative to other industries, especially since product creation requires creativity, expertise, and precision (Global edge report 2020).

IT industry facing many challenges facing due to lack of expertise, knowledge, experience and long term sustainability etc. This can be overcome by various precautions taken by human resource management. For the purpose of retaining employees, the employers must use those practices which are in favor of the both of them and that will lead towards organization standards (Khan, F., Yusoff, R.M., Khan, A. 2014).

## LITERATURE REVIEW

It is defined to be employee retention is great asset for the company. Employee retention is generally the level of commitment involved an employee has towards their company and its core values and beliefs. Hunt (2019) research on marketing channel, which shows that organizations often look beyond the concept of satisfaction to developing trust and ensure long term relationships with their employees.

Rousseau (2017) argues that, for retention strategies to be effective, it is important to manage employee's expectations. The psychological contract focuses on employee subjective interpretations and evaluation of inducements and how they affect their intentions to stay. Fostering and nurturing employee commitment is a strategy employed by organizations in retaining their valued human capital.

Schneider and Bowen (1999) suggested that, in some cases, service suppliers may be unable to retain even those employees who are satisfied. Thus, satisfaction itself may not be sufficient enough to ensure long-term workers commitment to an organization.

Shanley (1990) there is no dearth of opportunities for a talented person. There are many organizations which are looking for such employees. If a person is not satisfied by the job he's doing, he may switch over to some other more suitable job. In today's environment it becomes very important for organizations to retain their employees. The reason may be personal or professional

Samganakkan, (2010) In his article he identified how the human resource management practices such as training, appraisal etc effect the employee, their intention to stay and their motivation. According to his research training is an important determinant of employee motivation and retention. He identified that compensation should be such which force the employees to stay in the organization as retention is an important matter for the organizations effectiveness.

According to Bashir et al., (2009) Indus journal of management and social science, after doing the survey from the telecom industry of Pakistan, the results have showed that salary, working environment and the benefits (rewards) are three factors which affect the employee turnover and correlated with each other.

This study also faces some limitations, which included time constraints and the resource constraints. This study also found support for the independent variable with employee turnover. The negative correlation has been found for the salary, benefits and work environment. So organizations need to focus on how to reduce strains in the workplace and salary plans

## RESEARCH METHODOLOGY

Subjects of the present study were the employees of the IT sector; especially software engineers of various IT companies in Bangalore city. Respondents were selected randomly. Employees were mainly from TCS, Tech Mahindra, Honeywell, Caterpillar, IBM. Overall 200 questionnaires were distributed. Finally, 125 (62.5%) questionnaires were analysed. 75 (37.5%) questionnaires were rejected as they were not properly filled.

Various dimensions associated with employees' retention like HR policies, compensation & benefits, work pressure, and relations with superiors were explored. There were overall 24 statements; each statement was in the form of a dichotomous question, i.e., it had to be answered in either „Yes“ or „No“. There were two parts of the questionnaire. First part had 18 statements distributed amongst the above- mentioned four dimensions, while 6 statements pointedly explored the causes for high attrition.

**Table 1 : Data Analysis and Interpretation**

<b>Demographic profile of the respondents</b>		
<b>Total no. of respondents</b>	125	%
Males	110	88
Females	15	12
<b>Age brackets</b>		
20 -25	32	25.6
26-30	53	42.4
31-35	18	14.4
36-40	13	10.4
41 and above	9	7.2
<b>Educational qualifications</b>		
Graduation	59	47.2
Post-graduation (Academic)	26	20.8
Post-graduation (Professional)	40	32

<b>Years of experience</b>		
0 to 2	86	68.8
2 to 4	23	18.4
4 to 6	11	8.8
6 to 8	5	4
8 and above	0	0
<b>Monthly income (Rs.)</b>		
5000 - 15000	14	11.2
15000-25000	24	19.2
25000 - 35000	53	42.4
35000 - 45000	23	18.4
Above 45000	11	8.8

**Table 2 : Issues in employee retention in IT Sector**

<b>HR Policies</b>		<b>Yes</b>	<b>No</b>	<b>Yes (%)</b>	<b>No (%)</b>
1	Employee-centred HR policies	110	15	88	12
2	Efforts to keep the workforce motivated	87	38	69.6	30.4
3	Satisfaction with working hours	14	111	11.2	88.8
4	Security of job	50	75	40	60
5	Resolution of grievances	91	34	72.8	27.2
<b>Compensation &amp; benefits</b>		<b>Yes</b>	<b>No</b>	<b>Yes (%)</b>	<b>No (%)</b>
1	Salaries are at par with others at the same level doing similar job	102	23	81.6	18.4
2	Adequate perks	108	17	86.4	13.6
3	Post-retirement benefits	33	92	26.4	73.6
4	Linking of performance with adequate rewards	117	8	93.6	6.4
5	Foreign trips	78	47	62.4	37.6
<b>Work Pressure</b>		<b>Yes</b>	<b>No</b>	<b>Yes (%)</b>	<b>No (%)</b>
1	Stress of target completion	73	52	58.4	41.6
2	Fluctuating targets	110	15	88	12
3	Unnecessary paperwork	31	94	24.8	75.2

4	Excessive competition in the IT industry	98	27	78.4	21.6
<b>Relations with superior</b>		<b>Yes</b>	<b>No</b>	<b>Yes (%)</b>	<b>No (%)</b>
1	Meeting the superior's expectations	89	36	71.2	28.8
2	Recognition of efforts by the superiors	61	64	48.8	51.2
3	Accessibility of superiors	105	20	84	16
4	Compatibility with immediate superior	97	28	77.6	22.4

In above table shown that 88% of respondents believe that HR policies are employee-centred while 22% believe that they are not. It is found that 76% of respondents are getting the right amount of accurate information at the right time and 24% of respondents are not getting right amount of accurate information at right time. 71.2% of respondents are able to meet their superior's expectations and 28.8% respondents are not able to meet their superior's expectations and 81.6% of respondents feel that their pay is at par with employees handling similar responsibilities, and 18.4% of respondents feels that their pay is less in comparison with the employees of other companies handling similar responsibilities or doing same jobs. 93.6% employees believe that performance is nicely linked with their rewards, 86.4 believe they get enough perks, and 62.4% respondents even get to go on foreign trips as part of their performance bonus.

**Table 3 :** Major causes of attrition of employees

1	Working hours	88.8% employees are not happy
2	Job security	60% employees feel they are not secure about their jobs
3	Fluctuating targets	88% feel their targets keep fluctuating and they are not very sure about what would be expected from them next time.
4	Lack of post-retirement benefits	73.6% employees feel they do not get post retirement benefits. They are also apprehensive about their social security.
5	Overall work stress	More than 91% (114) employees feel that though their compensation, incentives and perquisites are attractive but there is a lot of work stress especially in the months of March and September.
6	Better opportunities	About 76% (95) employees switch job because of better opportunities in other rival companies

In above table shown that overall stress from the work (91%) , working hours (88.8%), fluctuating targets (88%), better opportunities with other companies (76%) and lack of post-retirement benefits and other social- security norms (73.6%) have emerged as the main causes of high attrition in the pharmaceuticals sector. The overall results from the research show that high proportion of male employees are willing to go under training, more preferably “on job training”. Both male and female employees consider that duration defines the effectiveness of training programs. Rewards, especially financial rewards have received highly positive feedback from the females. Supervisory support has also a crucial role to play in employee retention according to the research findings. Female employees consider supervisory support and financial rewards more important for them as compared to men.

## CONCLUSION

According to our study and research, we conclude with the responses gained by distributing questionnaires among current employees in the IT sector. In today’s business environment clearly the long-term winners will be the companies that provide a flexible and challenging work environment along with employee recognition and rewards. (Verma K. Shekhar, 2009). If employees are asked to share the risks then they have to share the rewards as well. Due to growing expectations among employees at all levels, a majority of employees at all levels want to have an improved quality of work life. As per the growth projections of the Indian IT sector, companies are required to retain their human resources. In this context, employee retention has become the strategic focus and compelling necessity of businesses today. Thus, ignoring the problem of mounting attrition level can have devastating consequences for the business. Organizations can afford to ignore the problem at their own peril.

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